

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /089 W

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R 031002Z DEC 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8680

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E.O. 11652: N/A

TAGS: ECON, EFIN

SUBJECT: BANKER'S CONCERN FOR INVESTMENT CLIMATE

1. SUDDEN TOPPLING OF THE FORMER GOVERNMENT IN MID-OCTOBER, THE SUBSEQUENT OUTBREAK OF STRIKES IN VIRTUALLY EPIDEMIC PROPORTIONS THAT EXTENDED EVEN TO THE BANKS FOR THE FIRST TIME IN THAILAND'S HISTORY, AND INCREASED CRIMES AT A TIME WHEN POLICE MORALE STILL RECOVERING FROM OCTOBER EVENTS HAVE CAUSED DOUBTS TO BE RAISED IN MINDS OF SOME THAI AND FOREIGN BUSINESSMEN OVER OUTLOOK FOR FOREIGN INVESTMENT. SEVERAL LOCAL THAI AND FOREIGN BANKERS HAVE EXPRESSED CONCERN OVER SEEMING LACK OF STRENGTH AND DECISIVENESS SHOWN SO FAR BY SANYA GOVERNMENT IN DEALING WITH MORE PRESSING PROBLEMS.

2. ONE AMERICAN BANKER IN A RECENT CONVERSATION WITH AN EMBASSY OFFICER SPOKE PESSIMISTICALLY ABOUT THAILAND'S CURRENT INVESTMENT CLIMATE. HE SAID THAT STRIKES AGAINST THE BANKS (THESE SUBSEQUENTLY OCCURRED) AND A BREAKDOWN IN THE COUNTRY'S COMMERCE WERE POSSIBLE AND THAT IT MIGHT REQUIRE SUCH A CRISIS TO FORCE THE GOVERNMENT TO TAKE APPROPRIATE ACTION.

3. A NUMBER OF OTHER BANKERS, BOTH THAI AND AMERICAN, HAVE INDICATED TO EMBASSY OFFICERS THAT THEY WERE NOT ENCOURAGING NEW INVESTMENT IN THAILAND UNTIL THERE WAS A CLEARER PICTURE OF WHAT

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DIRECTION THE COUNTRY WILL TAKE POLITICALLY.

4. PRACTICAL CONSEQUENCES OF THESE CRITICAL ATTITUDES NOT YET MEASUREABLE IN STATISTICAL TERMS. STRIKE AGITATION HAS DECLINED SOMEWHAT OVER PAST FEW DAYS. INFLATIONARY PRESSURES STILL EVIDENT FROM LATEST OFFICIAL STATISTICS THAT SHOW AN INCREASE OF 1.5 PERCENT IN CONSUMER PRICE INDEX FROM AUGUST TO SEPTEMBER AND OF 2.6 PERCENT IN WHOLESALE PRICE INDEX FOR SAME PERIOD. ADVERSE CONSEQUENCES OF OIL SHORTAGE STILL BEING EXPRESSED IN HIGHER PRICES FOR MANY ITEMS AND WITH NO IMMEDIATE SOLUTION IN SIGHT. POTENTIAL EXISTS FOR GENERAL CONTRACTION OF ECONOMY, INCLUDING DROP IN FOREIGN INVESTMENT, WITH ADVERSE POLITICAL CONSEQUENCES FOR SANYA GOVERNMENT. HOWEVER, STATISTICAL EVIDENCE OF ECONOMIC DOWNTURN NOT YET AVAILABLE AND THAILAND'S TRADITIONAL EXPORTS REMAIN UNDER STRONG DEMAND WITH EXCEPTION OF KENAF. KINTNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BANGKO18741
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731250/aaaabktm.tel
Line Count: 76
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Dec-2001 by smithrj>; APPROVED <28-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANKER'S CONCERN FOR INVESTMENT CLIMATE
TAGS: ECON, EFIN, TH
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005